

QUARTERLY REPORT

LICENSEE HARRAH'S CASINO HOTEL , ATLANTIC CITY

ADDRESS 777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

FOR THE QUARTER ENDED MARCH 31, 2001

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

NAME OF OFFICER IN
CHARGE OF
CORRESPONDENCE
REGARDING THIS
QUARTERLY REPORT

ANTHONY P. RODIO

OFFICIAL TITLE VICE PRESIDENT OF FINANCE

ADDRESS 777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

BALANCE SHEETS

AS OF MARCH 31, 2001 AND 2000

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2001 (c) | 2000 (d) |
|-------------|---|-------------|-------------|
| | ASSETS | | |
| | Current Assets: | | |
| 1 | Cash and Cash Equivalents (Note 2)..... | \$ 24,581 | \$ 25,593 |
| 2 | Short-Term Investments..... | 0 | 0 |
| 3 | Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2001, \$2,716; 2000, \$3,780)..... | 5,261 | 6,459 |
| 4 | Inventories..... | 938 | 1,182 |
| 5 | Prepaid Expenses and Other Current Assets (Note5)..... | 3,750 | 3,675 |
| 6 | Total Current Assets..... | 34,530 | 36,909 |
| 7 | Investments, Advances, and Receivables (Note 6)..... | 248,668 | 223,748 |
| 8 | Property and Equipment - Gross (Notes 2 and 3)..... | 584,605 | 532,748 |
| 9 | Less: Accumulated Depreciation and Amortization (Notes 2 and 3)..... | (235,510) | (212,526) |
| 10 | Property and Equipment - Net (Note 2 and 3)..... | 349,095 | 320,222 |
| 11 | Other Assets (Note7)..... | 16,983 | 17,756 |
| 12 | Total Assets..... | \$ 649,276 | \$ 598,635 |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities: | | |
| 13 | Accounts Payable..... | \$ 1,852 | \$ 1,656 |
| 14 | Notes Payable..... | 0 | 0 |
| | Current Portion of Long-Term Debt: | | |
| 15 | Due to Affiliates..... | 0 | 0 |
| 16 | Other..... | 0 | 0 |
| 17 | Income Taxes Payable and Accrued (Note 2)..... | 1,094 | 1,011 |
| 18 | Other Accrued Expenses (Note 9)..... | 19,574 | 20,739 |
| 19 | Other Current Liabilities..... | 541 | 812 |
| 20 | Total Current Liabilities..... | 23,061 | 24,218 |
| | Long-Term Debt: | | |
| 21 | Due to Affiliates..... | | |
| 22 | Other (Note 4)..... | 500,000 | 500,000 |
| 23 | Deferred Credits (Note 2)..... | 968 | 1,334 |
| 24 | Other Liabilities (Note 10)..... | 45,404 | 47,367 |
| 25 | Commitments and Contingencies | | |
| 26 | Total Liabilities..... | 569,433 | 572,919 |
| 27 | Stockholders', Partners', or Proprietor's Equity..... | 79,843 | 25,716 |
| 28 | Total Liabilities and Equity..... | \$ 649,276 | \$ 598,635 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2001 and 2000

(UNAUDITED)
(\$ IN THOUSANDS)

| (a) LINE | (b) DESCRIPTION | (c) 2001 | (d) 2000 |
|----------|--|------------------|-----------------|
| | Revenue: | | |
| 1 | Casino | \$ 93,635 | \$ 93,533 |
| 2 | Rooms | 6,295 | 6,222 |
| 3 | Food and Beverage | 10,882 | 9,675 |
| 4 | Other | 1,642 | 1,834 |
| 5 | Total revenue | 112,454 | 111,264 |
| 6 | Less: Promotional Allowance | 12,592 | 11,604 |
| 7 | Net revenue | 99,862 | 99,660 |
| | Costs and Expenses: | | |
| 8 | Cost of goods and services | 48,332 | 48,355 |
| 9 | Selling, general, and administrative | 16,627 | 19,266 |
| 10 | Provision for doubtful accounts | 0 | 359 |
| 11 | Total costs and expenses | 64,959 | 67,980 |
| 12 | Gross Operating Profit | 34,903 | 31,680 |
| 13 | Depreciation and amortization | 5,967 | 5,502 |
| | Charges from affiliates other than interest: | | |
| 14 | Management Fees | 0 | 0 |
| 15 | Other | 7,515 | 7,014 |
| 16 | Income (Loss) from Operations | 21,421 | 19,164 |
| | Other Income (Expenses): | | |
| 17 | Interest (expense) - affiliates - | 0 | 0 |
| 18 | Interest (expense) - external | (9,164) | (9,367) |
| 19 | Investment alternative tax and related income (expense) - net | (662) | (265) |
| 20 | Nonoperating Income (expense) - net | 113 | 134 |
| 21 | Total other income (expenses) | (9,713) | (9,498) |
| 22 | Income (Loss) Before Income Taxes and Extraord. Items | 11,708 | 9,666 |
| 23 | Provision (credit) for income taxes | 1,008 | 641 |
| 24 | Income (Loss) Before Extraordinary Items | 10,700 | 9,025 |
| 25 | Extraordinary items (net of income taxes - 2001, \$0; 2000, \$0) | (227) | 0 |
| 26 | Net Income (Loss) | \$ 10,473 | \$ 9,025 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | Description (b) | Contributed Capital (c) | Accumulated Earnings (Deficit) (d) | (e) | Total Equity (Deficit) (f) |
|-------------|--------------------------------|-------------------------------|---|-----|-------------------------------------|
| 1 | Balance, December 31, 1999 | \$165,954 | (\$149,263) | \$0 | \$16,691 |
| 2 | Net Income - 2000 | | 52,679 | | \$52,679 |
| 3 | Capital Contributions..... | | | | |
| 4 | Capital Withdrawals..... | | 0 | | \$0 |
| 5 | Partnership Distributions..... | | | | |
| 6 | Prior Period Adjustments..... | | | | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |
| 10 | Balance, December 31, 2000 | 165,954 | (96,584) | 0 | 69,370 |
| 11 | Net Income - 2001 | | 10,473 | | \$10,473 |
| 12 | Capital Contributions..... | | | | |
| 13 | Capital Withdrawals..... | | 0 | | \$0 |
| 14 | Partnership Distributions..... | | | | |
| 15 | Prior Period Adjustments..... | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | Balance, March 31, 2001 | \$165,954 | (\$86,111) | \$0 | \$79,843 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE

HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000

(UNAUDITED)
(\$ IN THOUSANDS)

| (a) LINE | (b) DESCRIPTION | (c) 2001 | (d) 2000 |
|---|---|-----------|-----------|
| 1 | Net Cash Provided (Used) by Operating Activities | \$ 17,931 | \$ 2,206 |
| | Cash Flows from Investing Activities: | | |
| 2 | Purchase of short-term investment securities | 0 | 0 |
| 3 | Proceeds from the sale of short-term investment securities | 0 | 0 |
| 4 | Cash outflows for property and equipment | (23,190) | (8,363) |
| 5 | Proceeds from disposition of property and equipment | 0 | 0 |
| 6 | Purchase of casino reinvestment obligations | (1,183) | (1,128) |
| 7 | Purchase of other investments and loan advances made | 0 | 0 |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables | 0 | 4,308 |
| 9 | Cash outflows to acquire business entities | 0 | 0 |
| 10 | Write Off Abandoned Projects | 4 | 0 |
| 11 | | 0 | 0 |
| 12 | Net Cash Provided (Used) by Investing Activities .. | (24,369) | (5,183) |
| | Cash Flows from Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt | 0 | 0 |
| 14 | Payments to settle short-term debt | 0 | 0 |
| 15 | Cash proceeds from issuance of long-term debt | 0 | 0 |
| 16 | Costs of issuing debt | 0 | 0 |
| 17 | Payments to settle long-term debt | 0 | 0 |
| 18 | Cash proceeds from issuing stock or capital contributions | 0 | 0 |
| 19 | Purchases of treasury stock | 0 | 0 |
| 20 | Payments of dividends or capital withdrawals | 0 | 0 |
| 21 | Transfer to Affiliates | 0 | 0 |
| 22 | | | |
| 23 | Net Cash Provided (Used) by Financing Activities | 0 | 0 |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents | (6,438) | (2,977) |
| 25 | Cash and Cash Equivalents at Beginning of Period | 31,019 | 28,570 |
| 26 | Cash and Cash Equivalents at End of Period | \$ 24,581 | \$ 25,593 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | |
| | Cash Paid During Period for: | | |
| 27 | Interest (net of amount capitalized) | \$ 9,579 | \$ 7,287 |
| 28 | Income Taxes | \$ 0 | \$ 0 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE

HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000

(UNAUDITED)
(\$ IN THOUSANDS)

| (a) LINE | (b) DESCRIPTION | (c) 2001 | (d) 2000 |
|----------|--|------------------|-----------------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net Income (loss) | \$ 10,473 | \$ 9,025 |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property & equipment | 5,967 | 5,501 |
| 31 | Amortization of other assets | 106 | 105 |
| 32 | Amortization of debt discount or premium | 0 | 0 |
| 33 | Deferred income taxes - current | 0 | 0 |
| 34 | Deferred income taxes - noncurrent | 0 | 0 |
| 35 | (Gain) loss on disposition of property & equipment | 0 | 0 |
| 36 | (Gain) loss on casino reinvestment obligation | 0 | 0 |
| 37 | (Gain) loss from other investment activities | 0 | 0 |
| 38 | Net (increase) decrease in receivables and patrons checks | 497 | 154 |
| 39 | Net (increase) decrease in inventories | 156 | 186 |
| 40 | Net (increase) decrease in other current assets | (2) | (811) |
| 41 | Net (increase) decrease in other assets | 292 | (47) |
| 42 | Net increase (decrease) in accounts payables | (188) | (1,473) |
| 43 | Net increase (decrease) in other current liabilities excluding debt | (1,969) | 2,181 |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt | (80) | (215) |
| 45 | Net increase in other receivables or advances | 2,679 | (12,400) |
| 46 | | | |
| 47 | Net Cash Provided (Used) by Operating Activities | \$ 17,931 | \$ 2,206 |
| | | | |
| | SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION | | |
| | Aquisition of Property and Equipment: | | |
| 48 | Additions to property and equipment | \$ 23,190 | \$ 8,363 |
| 49 | Less: capital lease obligations incurred | 0 | 0 |
| 50 | Cash Outflows for Property and Equipment | \$ 23,190 | \$ 8,363 |
| | | | |
| | Acquisition of Business Entities: | | |
| 51 | Property and equipment acquired | \$ | \$ |
| 52 | Goodwill Acquired | | |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment | | |
| 54 | Long-term debt assumed | | |
| 55 | Issuance of stock or capital invested | | |
| 56 | Cash Outflows To Acquire Business Entities | \$ | \$ |
| | | | |
| | Stock Issued or Capital Contributions: | | |
| 57 | Total issuance of stock or capital contributions | \$ | \$ |
| 58 | Less: issuances to settle long-term debt, and | | |
| 59 | Consideration in acquisition of business entities | | |
| 60 | Cash Proceeds from Issuing Stock or Capital Contributions | \$ | \$ |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Marina Associates (the "Partnership") operates as a general partnership which owns and operates a casino hotel located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. Harrah's Operating Company, Inc. ("HOC"), a direct wholly-owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's") through its subsidiaries, is the sole owner of the Partnership. A substantial portion of the Partnership's revenues are derived from gaming operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents - Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

Inventories - Inventories of provisions and supplies are valued at the lower of cost, weighted average, or market.

Property and Equipment - Property and equipment are stated at cost, including capitalized interest. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the assets, as follows:

| | |
|--|--------------|
| Buildings, leaseholds and improvements | 40 years |
| Furniture, fixtures and equipment | 3 - 10 years |

Long-Lived Assets - During 1996, the Partnership adopted the provisions of Statement of Financial Standard No. 121, "Accounting for the Impairment of Long-Lived Assets" ("SFAS 121"). SFAS 121 requires, among other things, that an entity review its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. During 2000, no business conditions or events occurred which may indicate a possible impairment. The assessment for potential impairment is based primarily on the Company's ability to recover the unamortized balance of its long-lived assets from expected future cash flows from its operations on an undiscounted basis.

Investments in Subsidiaries - During 1999, the Company, through its wholly owned subsidiary Reno Crossroads LLC ("Reno"), acquired a parcel of land in Reno, Nevada for approximately \$10,325. The existing facilities located on the parcel site are in the process of being demolished and a new plaza will be constructed on the site. On February 1, 2000, Reno entered into an agreement to lease this parcel of land to HOC for a period of twenty years at a fixed rent of \$1,120 per year. Project spending as of March 31, 2001 amounted to approximately \$2,365.

Revenue Recognition - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Food, beverage, rooms and other revenues include the aggregate amounts generated by those departments.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Promotional Allowances - Gross revenues include the retail value of complimentary food, beverage, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues.

Income Taxes - The accompanying financial statements do not include a provision for federal income tax purposes by the individual partners. In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership files a state income tax return on behalf of the partners. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of tax assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date.

Disclosures - In accordance with the Quarterly Report Instructions, the Partnership has not submitted updated information for the summary of future lease obligations and contribution of savings and retirement plan in which employees of the Partnership may participate. There has been no significant changes to the information submitted in our December 31, 2000 Annual Report.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Partnership to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Casino Licensing - In April 2000, the New Jersey Casino Control Commission renewed the Partnership's casino license through April 2004. A New Jersey casino license is not transferable and must be renewed by filing an application.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and Equipment as of March 31 consisted of the following:

| | <u>2001</u> | <u>2000</u> |
|--|------------------|------------------|
| Land and Land Improvements | \$ 70,968 | \$ 70,037 |
| Buildings, Leaseholds and Improvements | 339,586 | 321,335 |
| Furniture, Fixtures and Equipment | 147,026 | 135,204 |
| Construction in Progress | <u>27,025</u> | <u>6,172</u> |
| | 584,605 | 532,748 |
| Less Accumulated Depreciation | <u>(235,510)</u> | <u>(212,526)</u> |
| Property and Equipment, Net | <u>\$349,095</u> | <u>\$320,222</u> |

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 4 - LONG-TERM DEBT

Long-term debt as of March 31 consisted of the following:

| | <u>2001</u> | <u>2000</u> |
|--|------------------|------------------|
| Revolving Credit and Letter of Credit | | |
| Facility, 5.68750% - 7.61250 % at March 31, 2001 | | |
| and 6.61250% - 7.9200% at March 31, 2000, | | |
| maturing in 2004, with interest payable monthly | <u>\$500,000</u> | <u>\$500,000</u> |

On April 30, 1999 Harrah's Entertainment consummated new revolving credit and letter of credit facilities in the amount of \$1.6 billion, consisting of a five-year \$1.3 billion revolving credit and letter of credit facility maturing in 2004 and a separate \$300 million revolving credit facility, which is renewable annually at the lenders' and borrower's options. During 1999, the intercompany loans maintained by the Partnership were retired. In connection with the early extinguishment of debt, the Partnership recorded an extraordinary item of \$1,131 (net of an income tax benefit of \$112) related to unamortized deferred financing fees. Replacement financing was obtained by HOC creating new intercompany loans for the Partnership, which totaled \$500,000 at March 31, 2001. Harrah's Entertainment bears interest based upon 80 basis points over LIBOR for current borrowings under the \$1.3 billion revolving credit and 85 basis points over LIBOR for the \$300 million revolving credit.

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of March 31 consisted of the following:

| | <u>2001</u> | <u>2000</u> |
|----------------------|----------------|----------------|
| Prepaid Taxes | \$ 411 | \$ 370 |
| Prepaid Insurance | 325 | 325 |
| Prepaid Air Charters | 1,795 | 1,986 |
| Prepaid Marketing | 614 | 306 |
| Prepaid Other | <u>605</u> | <u>688</u> |
| | <u>\$3,750</u> | <u>\$3,675</u> |

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, Advances and Receivable as of March 31 consisted of the following:

| | <u>2001</u> | <u>2000</u> |
|--|------------------|------------------|
| Notes Receivable | \$ 1,219 | \$ 1,946 |
| Casino Reinvestment Development Authority Bonds - | | |
| Net of Valuation Allowance of \$2,848 and \$2,263 at | | |
| March 31, 2001 and 2000, respectively | 1,874 | 1,997 |
| Casino Reinvestment Development Authority obligation | | |
| deposits - Net of Valuation Allowance of \$1,293 and \$898 | | |
| at March 31, 2001 and 2000, respectively | 4,683 | 4,529 |
| Due from Affiliates | <u>240,892</u> | <u>215,276</u> |
| | <u>\$248,668</u> | <u>\$223,748</u> |

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Due from Affiliates as of March 31 consisted of the following unsecured, non-interest bearing intercompany amounts:

| | <u>2001</u> | <u>2000</u> |
|----------------------------|------------------|------------------|
| Harrah's New Jersey, Inc. | \$ 18,962 | \$ 18,962 |
| I/C- Embassy Suites | 210,384 | 189,052 |
| Northeast Regional Office | 4,541 | 3,138 |
| Harrah's Lake Tahoe | 137 | 141 |
| Embassy Suites, Inc. | 1,940 | 1,940 |
| Harrah's Del Rio | 184 | 182 |
| Harrah's Reno | 1,219 | 116 |
| Harrah's Las Vegas | 116 | 160 |
| Bill's Casino | 111 | 111 |
| Harrah's Vicksburg | 25 | 25 |
| Harrah's Joliet | 472 | 277 |
| Harrah's New Orleans | 1 | 1 |
| Harrah's Tunica | 5 | 9 |
| Harrah's Shreveport | 18 | 20 |
| Harrah's St. Louis | 75 | 77 |
| Harrah's North Kansas City | 43 | 43 |
| Harrah's Cherokee | 479 | 239 |
| Harrah's Prairie Band | 21 | 21 |
| Harrah's Ak Chin | 0 | 3 |
| Harrah's Showboat | 1,669 | 524 |
| Showboat East Chicago | 443 | 188 |
| Harrah's Gold Card | <u>47</u> | <u>47</u> |
| | <u>\$240,892</u> | <u>\$215,276</u> |

The Partnership transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Partnership are also made based upon the needs of the Partnership to fund daily operations, including accounts payable and payroll, as well as capital expenditures. The net transfers to HOC were \$37.6 million and \$50.1 million as of March 31, 2001 and 2000, respectively.

NOTE 7 - OTHER ASSETS

Other Assets as of March 31 consisted of the following:

| | <u>2001</u> | <u>2000</u> |
|---------------------------------------|-----------------|-----------------|
| Deposits | \$ 121 | \$ 121 |
| Deferred Other | 267 | 174 |
| Deferred Finance Charges | 1,146 | 1,517 |
| Deferred and Prepaid CRDA Obligations | <u>15,449</u> | <u>15,944</u> |
| | <u>\$16,983</u> | <u>\$17,756</u> |

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 8 - INVESTMENT OBLIGATIONS

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Partnership may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

The Partnership includes CRDA investment bonds and funds on deposit with the CRDA in investments, advances and receivables. The Partnership records a charge to operations to reflect the estimated realizable value of its CRDA investment obligations.

Through 2001 the Partnership was required to make deposits with the CRDA of approximately \$71,494 towards its obligations through that date, of which \$70,297 was deposited. The Partnership's obligation for the first quarter of 2001 of approximately \$1,197 was deposited in April 2001.

To satisfy current Atlantic City obligations as well as those projected beyond the year 2001, the Partnership received approval from the CRDA for a qualified direct investment project to construct various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City at an estimated cost to the Partnership of approximately \$54,500. As of March 31, 2001, approximately \$54,410 has been expended by the Partnership of which approximately \$4,123 was reimbursed to the Partnership from certain government grants and \$18,742 represented a prepayment position of the Partnership's future obligations.

In December 1999, the CRDA approved a credit exchange agreement between Harrah's Atlantic City and Atlantic City Showboat. The credit exchange agreement resulted in Harrah's Atlantic City exchanging \$4,628 of its future South Jersey CRDA obligations for \$4,628 of Atlantic City Showboat's current Atlantic City CRDA obligations. Harrah's Atlantic City received this amount in January 2000 as a reimbursement of its prepaid Atlantic City obligation, previously mentioned.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 9 - OTHER ACCRUED EXPENSES

Other Accrued Expenses as of March 31 consisted of the following:

| | <u>2001</u> | <u>2000</u> |
|--|-----------------|-----------------|
| Accrued Salaries, Wages and Benefits | \$ 8,706 | \$9,346 |
| Taxes Payable | 2,115 | 721 |
| Accrued In-House Progressive Slot Liability | 140 | 146 |
| Accrued City Wide Progressive Slot Liability | 202 | 211 |
| Accrued Interest, Long-term debt | 1,761 | 2,143 |
| Accrued Casino Control Commission / Department Gaming Enforcement Casino License Fees | 1,088 | 877 |
| Other Accrued Expenses | <u>5,562</u> | <u>7,295</u> |
| | <u>\$19,574</u> | <u>\$20,739</u> |

NOTE 10 - OTHER LIABILITIES

Other Liabilities as of March 31 consisted of the following:

| | <u>2001</u> | <u>2000</u> |
|------------------------------|-----------------|-----------------|
| Due to Affiliates, Long-term | \$39,771 | \$43,680 |
| Other | <u>5,633</u> | <u>3,687</u> |
| | <u>\$45,404</u> | <u>\$47,367</u> |

Due to Affiliates at March 31 consisted of the following unsecured, non-interest bearing inter-company accounts:

| | <u>2001</u> | <u>2000</u> |
|---|-----------------|-----------------|
| Harrah's Holdings, Inc., | \$ 603 | \$ 603 |
| Harrah's Atlantic City, Inc. | 38,855 | 38,855 |
| Harrah's Ak Chin | 21 | - |
| CRDA Showboat Swap | - | 3,930 |
| Harrah's Holiday Inns of New Jersey, Inc. | <u>292</u> | <u>292</u> |
| | <u>\$39,771</u> | <u>\$43,680</u> |

NOTE 11 - CHARGES FROM AFFILIATES - OTHER

Use of Trademarks - The Partnership entered into a license agreement in August 1995 with Harrah's Las Vegas, Inc., for the use of certain licensed trademarks. Under the agreement, the Partnership is required to pay a fixed license fee of \$19,355 per year. The licensing agreement has been renewed for an additional five-year period. For the three months ended March 31, 2001 and 2000, the Partnership's license fee was \$4,839.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Administrative Services - The Partnership is charged a fee from HOC for administrative services (including legal, accounting and insurance). The Partnership was charged \$2,676 and \$2,175 for these services for the three months ended March 31, 2001 and 2000, respectively.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED MARCH 31, 2001

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|---------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 57,956 | \$ 5,048 | - | |
| 2 | Food | 451,600 | 4,516 | - | |
| 3 | Beverage | 1,039,600 | 2,599 | - | |
| 4 | Travel | - | - | 16,768 | 1,660 |
| 5 | Bus Program Cash | - | - | 320 | 4 |
| 6 | Other Cash Complimentarie | - | - | 639,040 | 7,988 |
| 7 | Entertainment | 6,200 | 124 | - | |
| 8 | Retail & Non-Cash Gifts | 61,000 | 305 | 77,600 | 388 |
| 9 | Parking | - | - | - | |
| 10 | Other | - | - | - | |
| 11 | Total | 1,616,356 | \$ 12,592 | 733,728 | \$ 10,040 |

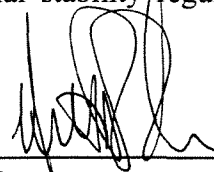
FOR THE THREE MONTHS ENDED MARCH 31, 2001

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|---------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 57,956 | \$ 5,048 | - | \$ - |
| 2 | Food | 451,600 | 4,516 | - | - |
| 3 | Beverage | 1,039,600 | 2,599 | - | - |
| 4 | Travel | - | - | 16,768 | 1,660 |
| 5 | Bus Program Cash | - | - | 320 | 4 |
| 6 | Other Cash Complimentarie | - | - | 639,040 | 7,988 |
| 7 | Entertainment | 6,200 | 124 | - | - |
| 8 | Retail & Non-Cash Gifts | 61,000 | 305 | 77,600 | 388 |
| 9 | Parking | - | - | - | - |
| 10 | Other | - | - | - | - |
| 11 | Total | 1,616,356 | \$ 12,592 | 733,728 | \$ 10,040 |

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

STATEMENTS OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this Quarterly Report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Vice President of Finance

Title

7022-11

License Number

On Behalf of:

Marina Associates

Casino Licensee

CCC-249